



**Patrick Sullivan**  
Director

# *City of New Bedford, Massachusetts*

## OFFICE OF HOUSING & COMMUNITY DEVELOPMENT

608 Pleasant St, New Bedford, Massachusetts 02740

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### "NEIGHBORHOODS FIRST" HOME BUYER PROGRAM

<b>ELIGIBLE PROPERTIES</b>	1-3 family units located within the City of New Bedford
<b>ELIGIBLE ACTIVITIES</b>	<ul style="list-style-type: none"> <li>▪ <b>Down payment and closing cost assistance</b> – Total amount of the loan for down payment and closing cost assistance is for up to 5% of the purchase price up to a maximum of <b>\$10,000.00</b>. Applicants will have to provide a minimum of \$1,000 of their own funds for their portion of the required down payment, although specific programs may require larger down payments</li> <li>▪ <b>Rehabilitation assistance</b> - Up to \$20,000 for a single family, \$30,000 for a two unit, and \$40,000 for a three unit property for eligible rehabilitation costs. The properties must adhere to minimum rehabilitation standards in accordance with building codes and Massachusetts &amp; HUD Lead Paint Statutes, prior to occupancy. The Program can also provide a Grant of \$2,500 per unit, for units that receive a Certificate of Compliance for de-leading, as part of the rehabilitation loan.</li> </ul>
<b>INTEREST RATES</b>	<p>Bank first mortgage financing rates vary according to market conditions.</p> <p><b>Down payment and closing cost assistance up to a maximum of \$10,000</b> - 0% deferred payment loan recorded as a second mortgage, forgiven after 5 years.</p> <p><b>Rehabilitation assistance up to \$10,000:</b> A 0% deferred payment loan recorded as a second mortgage, forgiven after 10 years or 15 years if the total project cost exceeds \$40,000.00.</p> <p><b>Rehabilitation assistance over \$10,000:</b> A 3% fully amortizing loan, 1 year deferred loan mortgage, with loan terms of up to 30 years.</p>
<b>UNDERWRITING CRITERIA</b>	Applicants must be able to secure a first mortgage through a Participating Lender according to their underwriting standards. Participating Lenders or applicants will need to provide copies of all relevant loan application documents.

#### **ELIGIBLE BORROWERS:**

All applicants must complete an approved homebuyer-counseling seminar.

Applicant's gross annual household income cannot exceed 80% of the median family income for New Bedford as determined by HUD, as follows:

	1 PER.	2 PER.	3 PER.	4 PER.	5 PER.	6 PER.	7 PER.	8 PER.
Household Income \$	\$36,050	\$41,200	\$46,350	\$51,500	\$55,650	\$59,750	\$63,900	\$68,000





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## **NEIGHBORHOODS FIRST** **FIRST TIME HOME BUYER PROGRAM**

### **Introduction:**

The main goal of the Neighborhoods First - First-Time Homebuyer Assistance Program is to help provide the opportunity for prospective buyers to afford the purchase and sustain an affordable mortgage of their first home. The Program may be used in conjunction with other buyer incentive programs, such as the Massachusetts Housing Partnership "Soft Second Program" and Mass Housing Program, provided these programs' specific guidelines are met. The Neighborhoods First Program will be administered through the Office of Housing and Community Development (OHCD) utilizing funding from the U.S. Department of Housing and Urban Development ("HUD") HOME Program.

The OHCD will assist qualifying low- and moderate income families (at or below 80% of Median Family Income (MFI) who wish to purchase their first home in New Bedford. Occupants residing in rental units assisted with HOME program funding may have to meet rent and income restrictions of the program. The City's assistance, along with a primary loan from a conventional lender, will provide financing (less down payment requirements) to make up the property's purchase price. When rehabilitation is required, the OHCD will lend up to 120% of the (as is) appraised value. Homebuyers will be required to provide a minimum down payment of \$1,000 (this may vary depending on specific first mortgage program requirements) and homebuyers must occupy the property as their primary residence. A primary lender (bank, credit union or mortgage banker) will provide primary financing for the benefit of eligible borrowers. The City will provide a deferred interest-free, second mortgage loan to qualified low and moderate income first-time homebuyers for the down payment/closing cost assistance. The City can also provide rehabilitation structured as a combination deferred/amortizing loan dependent upon the loan amount. The Eligibility Standards established by the policies described in the following sections will guide the Neighborhoods First- First-Time Homebuyer Program.

### **Purpose:**

Promote home ownership opportunities to income eligible first-time homebuyers. The program offers two (2) levels of financing:

1. Down-payment/Closing Cost Assistance
2. Rehabilitation Assistance



## **Types of Assistance:**

The program will provide two types of financial assistance.

### **1. Down payment and Closing Cost Assistance**

The total amount of the loan is equal to 5% of the home purchase price, up to a maximum of \$10,000. At a minimum, applicants will have to provide \$1,000 of their own funds for their portion of the required down payment. Applicants may be required to provide more than \$1,000 for their down payment, depending on the specific requirements of the first mortgage product they choose. Applicants whose liquid assets (savings and checking accounts, stocks, bonds, etc.) exceed \$10,000 will be required to use all but \$10,000 toward down payment and/or closing costs for the purchase of their home and may not be eligible for down payment and closing cost assistance.

#### **Down Payment and Closing Cost assistance Interest Rate:**

The Neighborhood's First Program will offer a 0% deferred payment loan that is recorded as a second mortgage. This loan is forgiven after a term of 5 years. No payments are due except upon the sale or transfer of the property, refinancing of the mortgage (with certain restrictions from the city), or failure to meet program requirements and restrictions.

### **2. Rehabilitation Assistance**

The OHCD will also make rehabilitation loans to eligible borrowers, concurrent with the purchase of the homes. The borrower(s) must qualify for, at a minimum, the acquisition price of the property through participating lenders. The program can provide rehabilitation assistance for eligible property renovations in order to meet all state and local building codes, as well as Massachusetts and HUD lead based paint requirements. The maximum loan cannot exceed \$20,000 for a single-family property, \$30,000 for a two-family property and \$40,000 for a three-family property.

#### **Interest Rate for Rehabilitation Loans.**

The Neighborhood's First Program will offer a 0% deferred payment loan that is recorded as a second mortgage and forgiven after a term of 10 years for the first \$10,000 of rehabilitation assistance. For rehabilitation loans that exceed \$10,000: The first \$10,000 will be structured as a 0% deferred loan and any additional amount will be structured as a 3% amortizing loan for a term of up to 30 years. (i.e.: \$29,000 rehabilitation loan - \$10,000 – 0% deferred - \$19,000 @ 3% for a term of 30 years). The amortized portion of the loan will be deferred for one year from the date of the loan closing.

#### **Maximum Rehabilitation Loan Amounts:**

\$20,000 – single-family  
\$30,000 – two-family  
\$40,000 – three-family

## **Types of Properties:**

The eligible properties must be 1-3 family units, located in New Bedford.

**Loan Application Process:** Borrowers may apply for financing through the OHCD *or* participating lenders. Participating lenders will need to supply the OHCD with copies of all relevant loan application documents

including, but not limited to, the application, verifications and the appraisal (**Please see Neighborhoods First Application checklist**).

Once all documents have been received and verifications completed, a rehabilitation specialist from the OHCD will conduct a walkthrough of the property to evaluate adherence to Minimum Housing Quality Standards and correction of any code violations. **The property must adhere to Massachusetts General Laws & HUD requirements regarding lead based paint.** All properties receiving assistance through our program must have all painted surfaces intact and cannot have any chipping or peeling paint. If there is chipping and peeling paint, the surfaces will need to be made intact using safe work practices before the application can proceed. If all painted surfaces are intact, the rehabilitation specialist will prepare a rehabilitation estimate and the application will be reviewed to determine if the purchase price and required rehabilitation estimates meet underwriting guidelines. If all loan requirements are met, you will receive a loan commitment letter for the down payment and closing cost financing. In addition, if the property requires rehabilitation, a pre-commitment letter for rehabilitation financing will also be provided. Upon receiving a commitment for the first mortgage financing from the lender, the applicant must contact the OHCD to coordinate the loan closing.

For Rehabilitation assistance, after the first mortgage closing, the OHCD will complete a bid package outlining the proposed rehabilitation. The applicant will be required to solicit a minimum of two bids from licensed, insured general contractors for the required rehabilitation. The applicant will choose the lowest qualified bid. Upon selection of the qualified contractor, a rehabilitation loan closing is scheduled and the work can begin.

**Required Rehabilitation:** All units assisted under this program (owner's & rentals) must adhere to Minimum Housing Quality Standards and local codes. Renovation may include correction of all code violations, deficiencies in mechanical and structural systems and energy conservation improvements, as well as interior and exterior items or general rehabilitation. Properties must also meet State and Federal lead paint guidelines. The amount of renovation will depend on the physical condition of the property and the funds available for that specific project. Please be advised that properties that require substantial changes and/ or structural modifications do not qualify for assistance through this program.

**Program Restrictions for Rental Units.** **The following restrictions may apply, depending upon Program requirements – Please check with OHCD staff:** Assistance provided to multi-family properties that assists rental units may be required to adhere to the rent and income restrictions of the program which state that occupants of “assisted” rental units cannot have income that exceed 60% of MFI and have rents that do not exceed the HOME program rent guidelines. If applicable, these restrictions will be enforced through a deed restriction that is recorded with the property for the entire term of the loan regardless if the property is sold to a subsequent buyer. Failure to comply with the rent and income restrictions will be considered a loan default that may result in repayment in the HOME funding or loan foreclosure. All rental units considered “HOME assisted” in the project must be rented to individuals and families who meet income and rent level guidelines. Borrowers must comply with program requirements governing low and moderate-income tenancy and affordable rent levels. 100% of the **rental units** in each structure, are to be occupied by tenants whose incomes are at or below 60% of the median income for the New Bedford area, at affordable rent levels (see income and rent restrictions as follows):

Income Guidelines for tenants are as follows: (60% of median income by family size):

1 person	\$27,060	5 persons	- \$41,760
2 persons	- \$30,960	6 persons	- \$44,880
3 persons	- \$34,800	7 persons	- \$47,940
4 persons	- \$38,640	8 persons	- \$51,060

**Rent Restrictions:** Rental units assisted cannot exceed the following:

(Lesser of HOME 65% Rent Limit or the Section 8 FMR, less utilities.)

SRO - \$ 596  
1 BDR - \$ 764  
2 BDR - \$ 874  
3 BDR - \$ 1047  
4 BDR - \$ 1323

Affordable rent levels are defined as rent plus utilities not exceeding 30% of the Section 8 Income Limits according to family size, adjusted for current market conditions. The borrower will be subject to a rent and income regulatory agreement and recapture provision in the City's mortgage. Borrowers are not allowed to own any other property.

### **Eligibility Standards**

In order to determine a participant's eligibility to obtain down payment assistance from the OHCD, all prospective applicants will be required to submit an application along with documentation that verifies compliance with the specific requirements of the Program. Buyers must provide a copy of the latest three federal income tax returns and W-2 forms, two most recent pay stubs for all members (over the age of 18 years) of the household who will reside in the home, bank statements for the last three months, and other income supporting documents, as may be required. Self-employed individuals will need to submit profit and loss statements for the prior year, as well as a projected profit and loss for the next twelve months. In addition, buyers will be required to provide written certification of all assets, including retirement accounts, gross household income and their qualification as first-time homebuyers under the Program. Please refer to the application checklist of required documents for the Neighborhoods First Program.

The applicant's eligibility for assistance from the Program and the amount of assistance will be determined upon review and verification of the applicant's income, expenses, and assets and funding required to purchase the property.

### **Eligible Participant**

#### **First-Time Homebuyer**

Eligible borrower(s) must be first-time homebuyers as established by HUD rule 24 CFR Section 92.2 for the HOME Investment Partnership Program (HOME Program), as follows:

Any individual or individuals or an individual and his or her spouse who have not owned a home during the three-year period before the purchase of a home through the Program, except that the following individual or individuals may not be excluded from consideration as a first-time homebuyer under this definition:

- a. A displaced homemaker who, while a homemaker, owned a home with his or her spouse or resided in a home owned by the spouse. A displaced homemaker is an adult who has not, within the preceding two years, worked on a full-time basis as a member of the labor force for a consecutive twelve-month period and who has been unemployed or underemployed, experienced difficulty in obtaining or upgrading employment and worked primarily without remuneration to care for his or her home and family;
- b. A single parent who, while married, owned a home with his or her spouse or resided in a home owned by the spouse. A single parent is an individual who is unmarried or legally separated from a spouse and has one or more minor children for whom the individual has custody or joint custody, or is pregnant; and

- c. An individual or individuals who own or owned, as principal residence during the three-year period before the purchase of a home with funds from the Program, a dwelling unit whose structure is
  - Not permanently affixed to a permanent foundation in accordance with local or state regulations; or
  - Not in compliance with state, local, or model building codes and cannot be brought into compliance with such codes for less than the cost of constructing a permanent structure.

Applicants will be required to certify that they qualify for the Program as a first-time homebuyer based on the definition listed above.

### **Household Income Limits**

Homebuyers' household current and projected income for all household members 18 years and older for the subsequent twelve-month period must not exceed the City of New Bedford low- moderate-income limits, adjusted by household size, as established annually by the U.S. Department of Housing and Urban Development ("HUD") and determined not less than 90 days from the receipt of assistance under this Program. Household income is determined in accordance with 24 CFR 813 and CFR 24 Part 92.203, includes, but is not limited to, wages, salaries, tips and commissions; income from self-employment; income from interests, dividends, net rental income or income from estates or trusts; Social Security or railroad retirement; Supplemental Security Income or any public assistance; any retirement or other pensions; and any other source of income received regularly, including Veteran's payments, unemployment compensation, and or alimony.

Income guidelines are as follows- (80% of median income by family size):

1 person -\$36,050	5 persons-\$55,650
2 persons -\$41,200	6 persons-\$59,750
3 persons -\$46,350	7 persons-\$63,900
4 persons -\$51,500	8 persons-\$68,000

**Eligible properties:** The eligible properties must be 1-3 family units located in New Bedford. Assistance provided to multi-family properties that assists rental units may be required to adhere to the rent and income restrictions of the program.

**Eligible Activities:** Financing available under this program can be used for reducing closing costs, down payment assistance and rehabilitation financing.

**Debt-to-Income Ratio:** Program eligibility will be based on total household income, housing cost ratios and debt-to-income ratios. Properties that involve multi-family units can utilize rental income to offset ratios. Housing costs include principal and interest, property taxes and insurance, private mortgage insurance, and homeowner association dues. Ratios are determined by dividing monthly housing and long-term installment expenses by the gross monthly income. The following ratios apply:

- **Condo/ Single family properties:** (36%/ 41%) "Front end" housing to income ratio cannot exceed 36% and "back end" total debt to income ratio cannot exceed 41%. All outstanding debt is factored into debt to income ratio
- **Two family properties:** (50%/ 58%) "Front end" housing to income ratio cannot exceed 50% (w/ zero rental income) and "back end" total debt to income ratio cannot exceed 58%.
- **Three family properties:** (60%/ 68%) "Front end" housing to income ratio cannot exceed 60% (w/ 75% rental income from lowest rented unit) and "back end" total debt to income ratio cannot exceed 68%.

**Credit:** Applicants are expected to have good credit, in accordance with industry standards. Any delinquent or charged-off accounts must be paid or an acceptable payment plan must be established.

**Co-signer:** Based on City regulations, a buyer who receives a HOME-funded loan cannot have a co-signer.

**First Time Homebuyer Seminar:** Applicants will be required to attend an approved seminar/workshop designed to provide information about becoming a first-time homebuyer. The applicant must attend such seminar and submit evidence of attendance prior to receiving a loan from the OHCD, preferably before making an offer to purchase a property. The City will provide seminars/workshops on a regular basis. In addition, the City will also provide information on where such seminars may be held. The applicant may attend any seminar of his/her choice as long as it meets with the OHCD's requirements and proof of attendance is submitted (i.e. Certificate of completion).

**Subordination and Refinancing:** The Program's second mortgage will subordinate to any first mortgage loan permitted under this Program (see Loan Type) in accordance with the City's subordination policy. The Program will subordinate to any first mortgage loan provided that the new loan amount is less than or equal to the outstanding principal balance of the existing loan(s) with the exception of reasonable closing costs that are included in conjunction with the refinancing. The City will consider a subordination that exceeds the outstanding principal balance of the existing senior mortgage whereby the sole purpose of the increased loan amount is to perform capital improvements that contribute to the increased value of the property. The housing rehabilitation costs must be documented and verifiable and are subject to the City approval. The program will **not** subordinate to any loan that adds additional debt to the property, except for the capital improvements described above.

Requests for subordination due to refinancing must be submitted in writing by completing an application and submitting it along with other required documentation. All requests for subordination will be reviewed and approved by the City's Loan Review Committee who will render a determination.

**Loan Assumption:** Program loans are not assumable and no successor in interest to the buyer(s) will be permitted to assume the loan, except under the following circumstances: Transfer of property title that results from the death of a buyer who received assistance from the OHCD/HOME Program and the transfer is to the surviving spouse; a transfer by a buyer who received OHCD/HOME Program assistance to his or her spouse when the spouse becomes by such transfer a co-owner of the property; or when the transfer results from a decree of dissolution of marriage or legal separation or from a property settlement agreement incidental to such a decree.

Where the property is sold to another eligible buyer, a new loan will be made to that buyer in accordance with the provisions of this Program.

**Property Insurance:** Hazard insurance policies shall be maintained during the OHCD loan term, with the OHCD named as additional insured. In addition, if the property is located within a Flood Zone area, flood insurance administered under the Federal Flood Insurance Program shall be maintained. Failure to provide and maintain the required insurance will result in default and the Program loan will immediately become due and payable.

### **Primary Loan and Other Loans**

**Loan Type:** The Primary Loan must be a fully amortized loan with a maximum term of thirty (30) years provided by a bank, savings and loan, mortgage banker or other institutional lender. Any secondary mortgage should have an interest rate at or below the first mortgage rate. No negative amortization financing, interest only, balloon payments or adjustable rate mortgages will be permitted as a primary lien in front of the City's loan.

**Property Value Limits:** For applicants receiving HOME Program funds, the property's purchase price cannot exceed the most current FHA limits established for the City of New Bedford.

**Principal Residence:** The homebuyer shall occupy the property as a principal residence throughout the term of the OHCD's assistance. A principal residence is one that is occupied by one or all of the owner(s) for a minimum of ten (10) months of the year. If the qualifying homebuyer ceases to use the property as a principal residence, all loans provided by the OHCD shall immediately become due and payable.

**No Tenant Displacement:** Any home to be purchased under this Program must be owner-occupied or vacant at the time an offer to purchase is made on the residence to ensure that the acquisition of the residence will not result in tenant displacement. The seller must certify that the property is owner-occupied or vacant at the time the Purchase and Sale Agreement is executed. Pursuant to HUD regulations, an owner-occupied residence is not considered displaced if the existing owner agrees to the purchase price at fair market value.

**Loan Review Committee:** The City's Loan Review Committee has the responsibility of reviewing applications submitted by prospective first-time homebuyers who meet the Program's Eligibility Standards and have qualified and received approval for a primary loan. The Loan Review Committee will make a determination regarding the disposition of each application that has received preliminary approval for a Program loan.

**Affirmative Marketing /Non-discrimination:** The OHCD's First-Time Homebuyer Assistance Program will not discriminate against anyone based on race, color, religion, marital status, sex, national origin, ancestry, age or disability. The Program will follow Affirmative Marketing procedures and requirements established by HUD for the HOME Program under rule 24 CFR Section 92.351.

#### **Equal Opportunity and Fair Housing:**

The Neighborhoods First Program will adhere to the following Federal Equal Opportunity and Fair Housing laws:

- i. Equal Opportunity. No person in the United States shall on the grounds of race, color, national origin, religion, or sex be excluded from participation in, be denied benefits of, or be subjected to discrimination under any program or activity funded in whole or in part with HOME funds.
- ii. The requirements of the Fair Housing Act (42 U.S.C. 3601-20) and implementing regulations at 24 CFR part 100; Executive Order 11063, as amended by Executive Order 12259 (3 CFR, 1958-1963 Comp., p.652 and 3 CFR, 1980 Comp., p. 307) (Equal Opportunity in Housing) and implementing regulations at 24 CFR part 107; and title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d) (Nondiscrimination in Federally Assisted Programs) and implementing regulations issued at 24 CFR part 1.
- iii. The prohibitions against discrimination on the basis of age under the Age Discrimination Act of 1975 (42 U.S.C. 6101-07) and implementing regulations at 24 CFR part 146, and the prohibitions against discrimination against handicapped individuals under section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794) and implementing regulations at 24 CFR part 8.
- iv. The requirements of Executive Order 11246 (3 CFR 1964-65, Comp., p. 339) (Equal Employment Opportunity) and the implementing regulations issued at 41 CFR chapter 60.
- v. The requirements of Section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u) the purpose of which is to ensure that employment and other economic

opportunities generated by Federal assistance for housing and community development programs shall, to the greatest extent feasible, be directed toward low- and very-low income persons, particularly those who are recipients of government assistance for housing.

- vi. The requirements of Executive Orders 11625 and 12432 (concerning Minority Business Enterprise) and 12138 (concerning Women's Business Enterprise). Consistent with HUD's responsibilities under these Orders, sub recipients must make efforts to encourage the use of minority and women's business enterprises in connection with HOME-funded activities.

**Inspection / Lead Based Paint Disclosure:** Properties assisted under the Program must meet HUD's minimum Housing Quality Standards. The buyer must be supplied with a lead based paint brochure if the property being purchased was constructed prior to 1978. The purchase and sale agreement must contain lead based paint notification. Properties built prior to 1978 may require separate testing for lead based paint if painted surfaces show peeling or other signs of deterioration. If the inspection renders a positive finding, seller must agree to remove or mitigate, at seller's expense, the lead based paint in accordance with Federal regulations.

**Monitoring of HOME Program Compliance:** After receiving assistance through the Neighborhoods First Program, all properties must meet minimum housing quality standards and must remain in good condition. According to HUD guidelines, the OHCD will conduct periodic inspections of properties for the term of the loan to determine program compliance.